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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Administration of the North American	)	CC Docket No. 92-237
Numbering Plan, Carrier Identification	)	
Codes (CICs)	)	

COMMENTS
OF THE
UNITED STATES TELEPHONE ASSOCIATION

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December 8, 1997

SUMMARY

The Commission's objective to achieve ubiquity in the provision of equal access capability can best be achieved by establishing a program which provides the financial incentives necessary for companies to replace non-equal access capable switches. USTA recommends that the Commission permit 75 percent of the capital costs of a new equal access capable switch to be included in the federal revenue requirement for telephone companies that participate in the NECA pools for a three year period. This cost recovery program will ensure that early retirement and replacement of switches can be accomplished in an economically reasonable manner. It will enable the Commission to ensure that the universal service principles contained in the Telecommunications Act of 1996 are realized. Finally, such a program will enable the Commission to achieve full equal access capability for all consumers in a way that ensures that the benefits of equal access are not outweighed by the burdens of providing it.

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COMMENTS OF THE UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) respectfully submits its comments in the above-referenced proceeding. USTA is the principal trade association of the local exchange carriers (LECs). Its members provide over 95 percent of the LEC-provided access lines in the U.S.

In its Second Further Notice of Proposed Rulemaking (2nd FNPRM) released October 22, 1997, the Commission proposes to require that all LECs with stored program controlled (SPC) switches upgrade their facilities to provide equal access capability and to accept four-digit CICs within three years of the effective date of an order adopted in this proceeding. In addition, the Commission proposes to require all LECs with non-SPC switches to provide equal access capability and to convert their switches to accept four-digit CICs when they next replace their switching facilities. These requirements would apply to those LECs which have received a waiver of the Commission's current equal access rules and to those LECs which have not received a bona fide request for equal access. As will be explained below, USTA recommends that the Commission provide incentives and financial support to those telephone companies participating in the NECA pools to replace switches in order to achieve the Commission's objective of making equal access capability universally available.

The Commission appropriately recognized the differences among the independent telephone companies other than GTE and GTE and the regional Bell operating companies (RBOCs) in the Independent Telephone Company Equal Access Report and Order by adopting a separate implementation schedule for the independent telephone companies to provide equal access capability. In addition, recognizing the severe financial burden of replacing switches which could not be upgraded to provide that capability, the Commission adopted an exception mechanism as well.[1] The differences listed by the Commission included the variability in installed SPC equipment types; the predominance of electromechanical equipment; the existence of more severe constraints on capital spending; and, the likelihood that demand for equal access service would be less.[2]

The conversion to equal access throughout the country was an ambitious undertaking. The various equal access implementation schedules have been extremely successful. According to a recent Commission report, by the end of 1996, the RBOCs had converted 100 percent of

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[1]In the Matter of MTS and WATS Market Structure Phase III, *Report and Order*, CC Docket No. 78-72, 100 F.C.C.2d 860 (1985). The RBOCs were required to implement equal access pursuant to the Modified Final Judgment and GTE pursuant to a Consent Decree.

[2]*Id.* at p. 874.

their lines to equal access and other companies had converted 97.6 percent of their lines. Overall, 99.4 percent of the nation's lines have been converted to equal access.[3]

This means, however, that a small number of switches and lines still do not have the capability to provide equal access. Particularly in cases where these switches are operated by small telephone companies, the unique circumstances addressed by the Commission in its earlier Report and Order have not changed. According to statistics compiled by USTA, there remains a wide variety of switching facilities and a predominance of electromechanical equipment deployed by the independent telephone companies among non-equal access switches.[4] Further, the constraints on capital spending and the lack of demand for equal access continue to be significant, if not controlling factors. In some cases the non-equal access switch is the only switch operated by a very small telephone company. It is doubtful that it will ever prove to be economically justified under the current rules to replace or significantly upgrade these switches. Thus, USTA believes that a new program should be instituted to ensure that the capability to provide equal access is truly ubiquitous.

The actual cost of a switch is dependent upon the size of the switch and the features included. Based on Rural Utilities Service (RUS) data listing actual competitive bids, the

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[3]Federal Communications Commission, "Distribution of Equal Access Lines and Presubscribed Lines," November 1997 at Table 1.

[4]United States Telephone Association, "Statistics of the Local Exchange Carriers 1997" at p. 12. *See*, also USTA Ex Parte Letter, CC Docket No. 96-128, October 24, 1997. Based on the Commission's November 1997 report, approximately 457,000 lines are served by non-equal access capable switches which are not owned by either the RBOCs, GTE or Sprint.

average cost of a switch serving from 300 to 599 lines was $329,000, the average cost of a switch serving 600 to 999 lines was $366,000 and the average cost of a switch serving 1,000 to 1,199 lines was $468,000.[5] These cost estimates do not include the costs of removing the old switch, training and system changes necessary to support replacement, overhead expenses and balloting. Thus, the replacement of a switch represents an extraordinary cost to a small telephone company and forced retirement and replacement without assistance cannot be justified.

USTA recommends that, in order to achieve the complete conversion to equal access for companies without the financial means to incur the cost of replacing a switch, the Commission permit 75 percent of the capital costs of the new switch to be included in the federal revenue requirement for telephone companies that participate in the NECA pools for a three year period. Based on the average costs listed above, this limited proposal would result in an additional cost of approximately $50 million per year over a three year period. This amount would decrease, of course, as switches were replaced. In fact, because the ongoing maintenance and repair expenses for new, digital switches are generally less than for electromechanical or stored program controlled switches which cannot be updated, such a program which replaces these switches could result in a reduction in access costs over the long term.[6]

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[5]RUS Telecommunications Standards Division, Central Office Equipment Branch, "1994 Digital Central Office Equipment Purchase Report, New Systems and Additions & Upgrades".

[6]USTA would recommend that the costs of switch replacement be included in the average schedule settlements as well.

In addition to the capability to offer equal access, including the capability to process four digit CIC codes and to track payphone digits, there are other advantages to USTA's proposal to convert these switches. As noted above, a significant number of these switches are electromechanical. Some of these switches cannot provide touch tone service, which is included in the definition of universal service. Certainly the Telecommunications Act of 1996, which is based on the principle that access to advanced services should be provided in all regions of the country and that consumers in rural, insular and high cost areas should have access to services which are comparable to services provided in urban areas, justifies the need to assist telephone companies in making equal access one hundred percent ubiquitous.

Cost recovery is especially critical at this time given the other demands being placed on small, rural telephone companies. USTA recently petitioned the Commission to provide relief for small telephone companies regarding the provision of codes to identify payphone calls.[7] Given the costs which would be incurred to provide coding digits, USTA requested that LECs be permitted to use whatever technology they deem necessary to provide coding, that LECs be allowed nine months to phase in the technology and that LEC switches that are not capable of providing equal access be exempt from providing payphone identification information until the switches are replaced or upgraded for equal access. In addition, USTA's program will also put these companies in a better position to meet their obligations under the Communications Assistance for Law Enforcement Act (CALEA). Given these demands, USTA's

[7]Petition for Waiver, CC Docket No. 96-128, filed September 30, 1997.

recommendation is critical.

USTA urges the Commission to adopt the limited equal access conversion program as discussed above. This program will enable the Commission to achieve full equal access capability for all consumers in a way that ensures that the benefits of equal access are not outweighed by the burdens of providing it.

Respectfully submitted,

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